

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 PA-02 PRS-01 USIA-15 SP-02 AID-05

EB-07 NSC-05 RSC-01 CIEP-02 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 L-02 H-02 CIAE-00 COME-00 FRB-01 INR-07

NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 NEA-09 /120 W

----- 114616

R 311731Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7651

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 01748

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING JANUARY 30)

REF.: BONN A-479 (L974), BONN 887 AND 1308

1. RECORD FRG TRADE SURPLUS: THE WIDELY REPORTED 1974 GERMAN TRADE SURPLUS OF DM 50.757 BILLION AND CURRENT ACCOUNT SURPLUS OF DM 26.1 BILLION DEVELOPED DESPITE THE SHARP RISE IN OIL PRICES AND EXCHANGE RATE MOVEMENTS WHICH MADE GERMAN EXPORTS MORE EXPENSIVE TO OTHER NATIONS. THE 1974 FIGURES COMPARE WITH A DM 32.98 BILLION TRADE SURPLUS AND CURRENT ACCOUNT SURPLUS OF UNCLASSIFIED

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DM 12.1 BILLION FOR 1973. WHILE THE INCREASE IN GER-

MAN EXPORTS TO THE OIL PRODUCING NATIONS PRINCIPALLY IN THE MIDDLE EAST (UP AN ESTIMATED 63 PERCENT) FAVORABLY INFLUENCED THE TRADE SURPLUS, FACTORS SUCH AS THE RELATIVELY LOW LEVEL OF DOMESTIC DEMAND DUE IN PART TO TIGHT CREDIT POLICIES OF THE BUNDES BANK (SEE BONN A-479, 1974), ANTI-INFLATIONARY MEASURES OF THE GOVERNMENT AND INFLATION RATES IN THE FRG'S MAJOR TRADING PARTNERS SIGNIFICANTLY CONTRIBUTED.

2. FOREIGN EXCHANGE MARKET: ON JANUARY 28 THE DOLLAR REACHED ITS LOWEST POINT SINCE JULY 9, 1973 WHEN IT WAS FIXED AT DM 2.2835. HOWEVER, THE FOLLOWING DAY THE DOLLAR (AT 2.3430) ENJOYED A 2 PERCENT RECOVERY. NEVERTHELESS, THE DROP IN THE DOLLAR DURING THE MONTH OF JANUARY WAS ALMOST 4 PERCENT. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

	FORWARD DOLLARS (DISCOUNTS IN PCT. P.A.)		
	SPOT DOLLARS	ONE-MONTH	THREE-MONTH
JAN 24	DM 2.3220	0.0	-0.7
27	2.3100	0.0	-0.4
28	2.2950	0.0	-0.3
29	2.3430	#0.5	0.0
30	2.3310	0.0	-0.3

WITHIN THE JOINT FLOAT THE DUTCH GUILDER -- WITH THE EXCEPTION OF JANUARY 28 -- AND THE BELGIAN FRANC WERE ABOVE THEIR DM CENTRAL RATES. NONE OF THE CURRENCIES REACHED THEIR UPPER DM INTERVENTION RATES.

3. MONEY MARKET: DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH MONEY	THREE-MONTH MONEY
JAN 24	8.0	--	--
27	8.0-8.1	7.5-7.8	7.6-7.8

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28	8.0-8.1	7.6-7.8	7.6-7.8
29	7.9-8.1	7.5-7.7	7.6-7.8
30	7.5-7.9	7.3-7.6	7.4-7.7

4. BOND MARKET: DURING THE REPORTING WEEK THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

JAN 24	9.70	9.53	9.21
27	9.64	9.52	9.19
28	9.64	9.54	9.19
29	9.60	9.54	9.18
30	9.58	9.50	9.17

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OMB-01 CEA-01 L-02 H-02 CIAE-00 COME-00 FRB-01 INR-07

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R 311731Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7652

INFO AMEMBASSY BERN

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USMISSION EC BRUSSELS

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AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 02 BONN 01748

THE DM 100 MILLION LOAN OF THE COMMONWEALTH OF AUSTRALIA
(SEE BONN 887) HAS BEEN FURNISHED WITH A COUPON OF 9
PERCENT, AN ISSUE PRICE OF 100 PERCENT AND MATURITY OF

7 YEARS. THE FINAL CONDITIONS OF THE DM 200 MILLION LOAN OF THE LAND LOWER SAXONY (SEE BONN 1308) ARE: COUPON 9.25 PERCENT; ISSUE PRICE 99 7/8 PERCENT; MATURITY 8 YEARS. THE FOLLOWING CONDITIONS HAVE BEEN ESTABLISHED FOR THE DM 50 MILLION LOAN OF THE NIPPON YUSEN KABUSHIKI KAISHA LINE OF JAPAN (SEE BONN 887): COUPON 9.25 PERCENT; ISSUE PRICE 99 PERCENT; MATURITY 5 YEARS; YIELD TO MATURITY 9.76 PERCENT. IN COMPLIANCE WITH THE MARKET CONDITIONS THE COUPON OF THE DM 75 UNCLASSIFIED

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MILLION LOAN OF THE SWEDISH SANDVIK AKTIEBOLAG (SEE BONN 1308) HAS BEEN CHANGED TO 9.25 PERCENT. THE ISSUE PRICE WILL BE 99 PERCENT; MATURITY 8 YEARS; YIELD TO MATURITY 9.43 PERCENT. THE MALMOE KOMMUN (CITY OF MALMOE) IS NEGOTIATING WITH AN INTERNATIONAL BANKING CONSORTIUM LED BY THE WESTDEUTSCHE LANDES BANK GIROZENTRALE THE ISSUE OF A DM 50 MILLION LOAN (COUPON 9.25 PERCENT; MATURITY 9 YEARS, REDEMPTION AFTER 5 YEARS). BETWEEN FEBRUARY 4-6 DM 400 MILLION OF THE DM 500 MILLION LOAN OF THE FEDERAL POST OFFICE WILL BE OFFERED FOR SALE, THE REMAINING DM 100 MILLION WILL REMAIN WITH THE FEDERAL POST OFFICE FOR ITS OWN INVESTMENTS. CONDITIONS: COUPON 9 PERCENT; ISSUE PRICE 99,50 PERCENT; MATURITY 8 YEARS; YIELD TO MATURITY 9.09 PERCENT). ON JANUARY 31 THE EUROFIMA, BASLE, WILL OFFER A DM 100 MILLION LOAN (CONDITIONS: COUPON 9 PERCENT; ISSUE PRICE 100 PERCENT; REDEMPTION IN 5 ANNUAL INSTALMENTS BEGINNING FEBRUARY 1981).

5. DATA ON CHANGES IN BUNDES BANK MONETARY RESERVES AND BANK LIQUIDITY IN THE THIRD WEEK OF JANUARY WERE NOT AVAILABLE AT TIME OF PREPARATION OF THIS TELEGRAM.
HILLENBRAND

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Disposition Approved on Date:
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Margaret P. Grafeld
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05 JUL 2006

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TAGS: EFIN, GE
To: STATE
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